

# Presentation to the Legislative Property Tax Study Committee

November 7, 2007



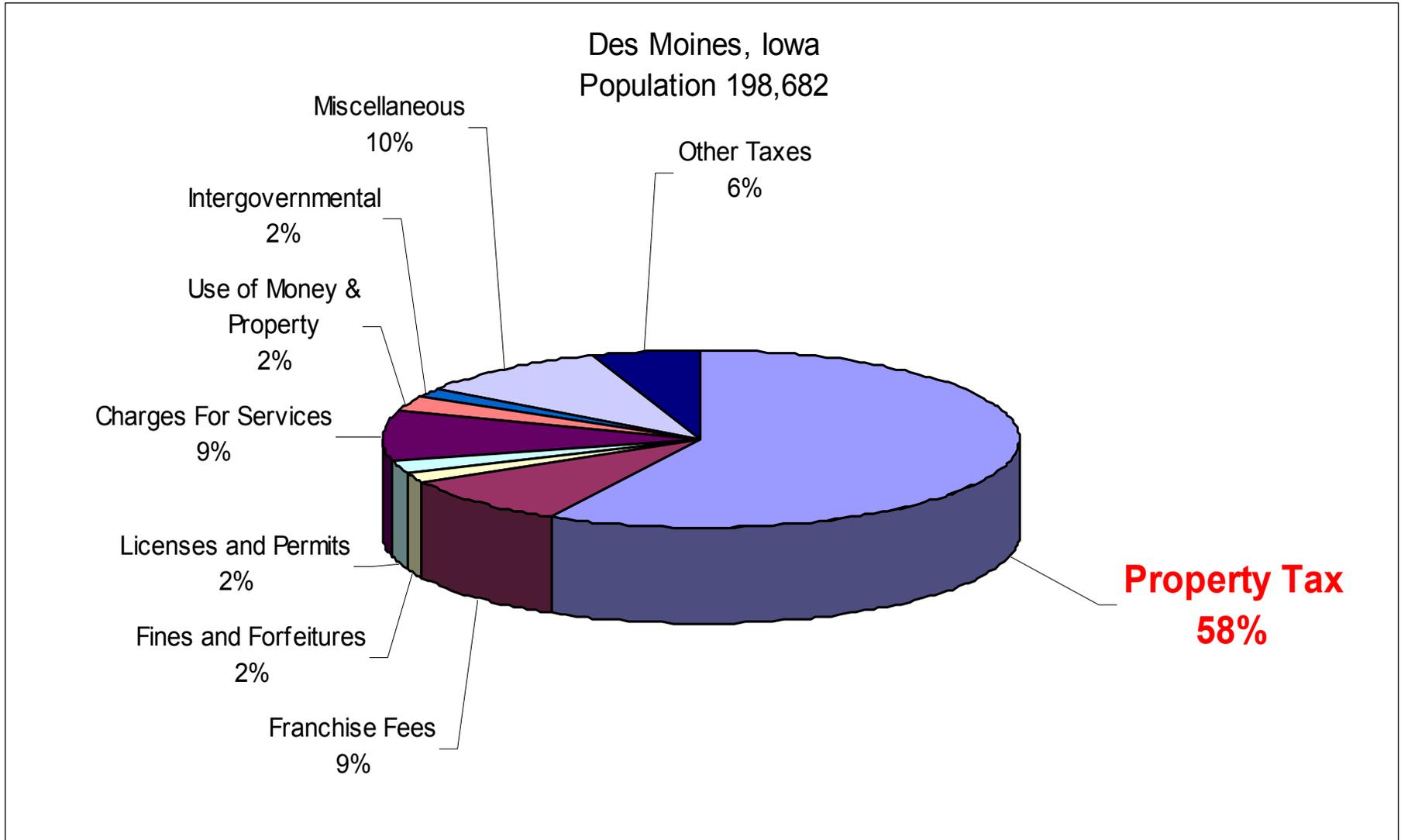
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City Manager  
Des Moines, Iowa

# City Of Des Moines Presentation

- Too Much Reliance On Property Tax
- Des Moines' Tax Rate Is High
- Reasons For High Tax Rate
- Actions Taken By Des Moines To Reduce Property Taxes
- Franchise Fee Impact In Des Moines
- Alternative Financing Strategies
- Conclusion & Recommendations

# Too Much Reliance On Property Tax

## General and Debt Service Funding Sources



# **Too Much Reliance On Property Tax**

## **2007 Resident Satisfaction Survey Conducted by ETC Institute**

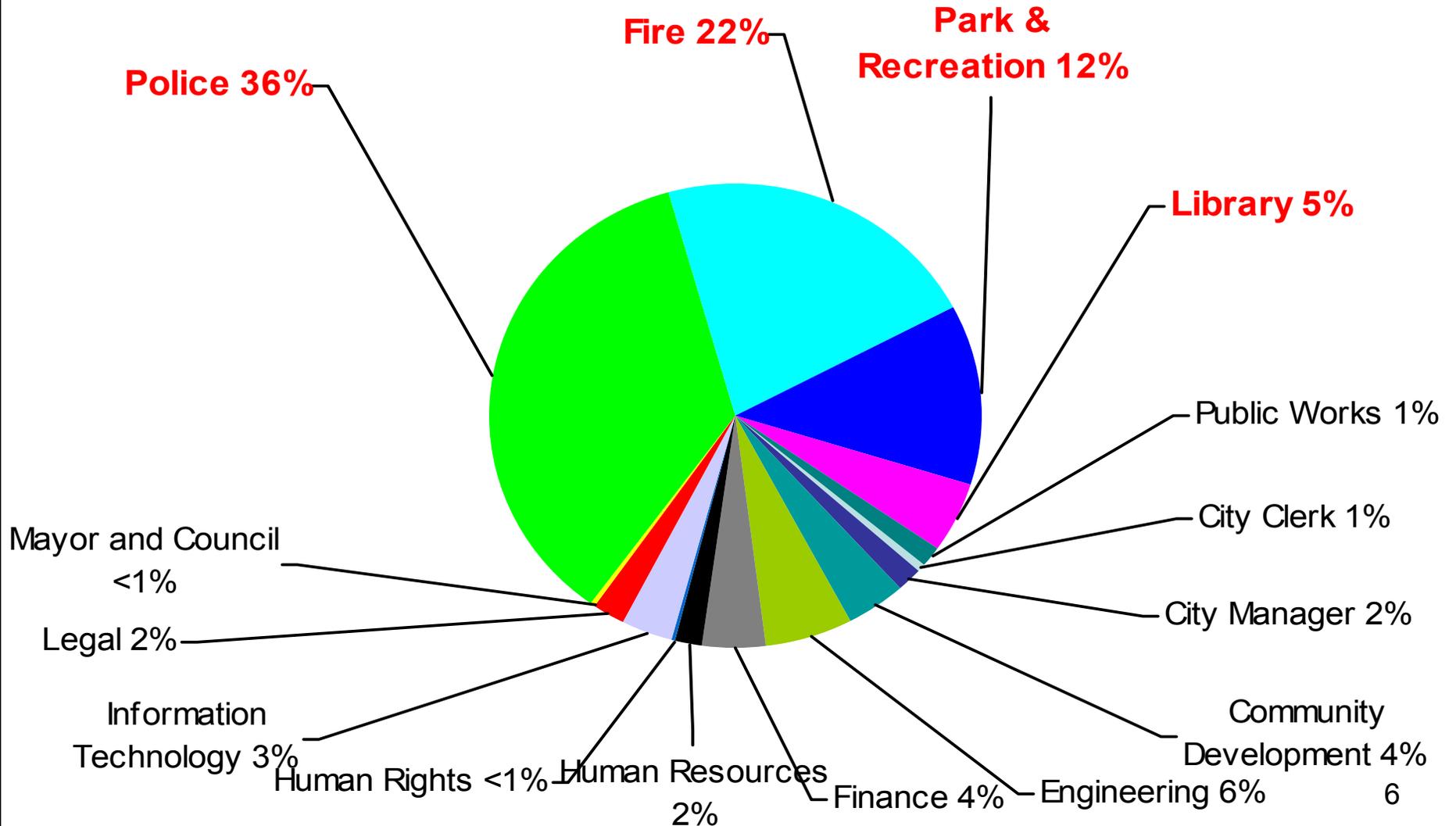
- Property tax is the least preferred method to pay for city services
- User fees and sales tax are the most preferred methods to pay for city services

# Des Moines' Tax Rate Is High

MUNICIPALITY	TAX RATE
<b>Des Moines</b>	<b>16.59</b>
Norwalk	14.98
Bondurant	14.34
Carlisle	13.97
Grimes	12.93
Mitchellville	12.82
Windsor Heights	12.40
Granger	12.33
West Des Moines	12.05
Pleasant Hill	11.48
Johnston	11.30
Elkhart	10.98
Ankeny	10.29
Clive	9.53
Urbandale	9.22
Runnels	9.06
Altoona	8.64
Alleman	8.23
Polk City	7.90
Sheldahl	3.59

# Why Is The Tax Rate High?

## City of Des Moines General Fund Budget



## Why Is The Tax Rate High?

- 40% of property does not pay taxes.
- Aging infrastructure requires increasing investments funded by tax-supported bonds.
  - 1975 CIP Average Bond Sale: \$4 million
  - 2008 CIP Average Bond Sale: \$24 million
- High demand for professional police and fire services.
- Reduction in state appropriations over time has reduced revenues for Des Moines by \$7.6 million annually
  - Personal Property Replacement Payments
  - Population Allocation Payments
  - Bank Franchise Fee Payments
  - Machinery & Equipment Tax or Replacement Payments
- Too many governmental entities within Polk County creates inefficiencies
- Des Moines' residential valuations are lower than many surrounding suburbs

## Why Is The Tax Rate High?

<b>MUNICIPALITY</b>	<b>TAX RATE</b>	<b>AVERAGE RESIDENTIAL VALUE</b>	<b>TAXABLE VALUE</b>	<b>CITY TAX BILL</b>
Des Moines	16.59	100,402	45,743	\$759
West Des Moines	12.05	184,824	84,205	\$1,015
Johnston	11.30	197,177	89,833	\$1,015
Ankeny	10.29	138,890	63,278	\$651
Clive	9.53	226,183	103,048	\$982
Urbandale	9.22	173,190	78,905	\$728

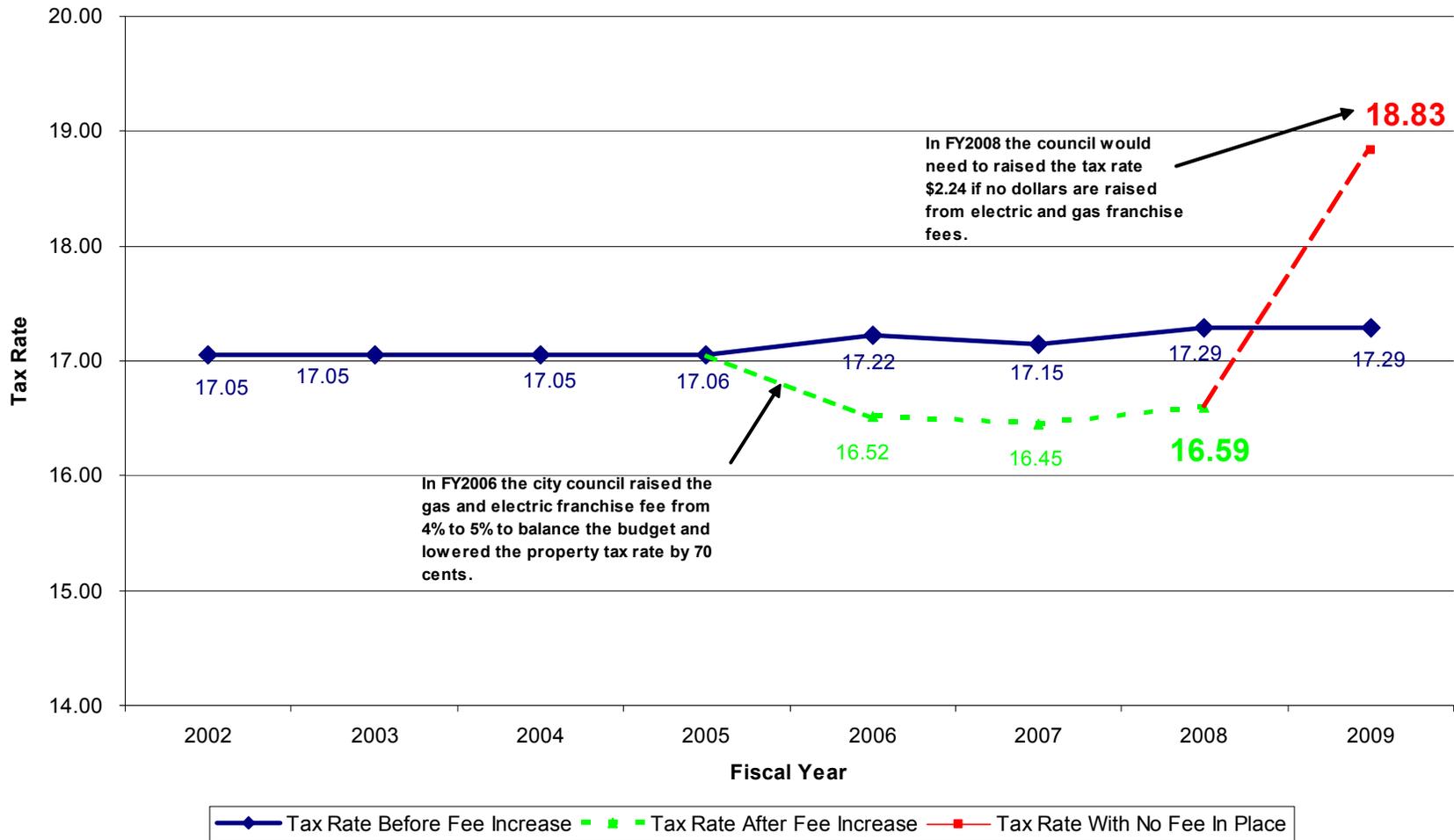
# What Has Des Moines Done To Reduce Property Taxes?

1. Reduced staffing levels.
2. Raised fees for services.
3. Reduced tax rates.
4. Reduced equipment replacement funding.
5. Moved to fully insured health insurance.
6. Negotiated lower costing employee health insurance plans.
7. Consolidation of programs (jails, weatherization)
8. Smarter work processes (property clean-up, automated garbage pick-up).
9. Vets Auditorium and Convention Center transferred to Polk County.
10. Negotiated operating agreements for Botanical Center, Blank Park Zoo and Animal Shelter.
11. Negotiated Polk County gaming revenues for street and bridge repairs.
12. Used collection agency to increase revenues from ambulance billing, parking tickets, etc.
13. WRA restructuring and 20-year investment program.
14. Utilized legislative authority to
  - Increase parking violations
  - Create regional transit authority
15. Raised Franchise Fees.

# Franchise Fees In Des Moines

- \$14.1 million annually (gas, electricity, cable)
- Hired 12 additional police officers
- Hired 24 additional firefighters
- Extended library hours
- Paid by every property that utilizes utilities
- No complaints received when increased
- Lowered tax rate 70 cents

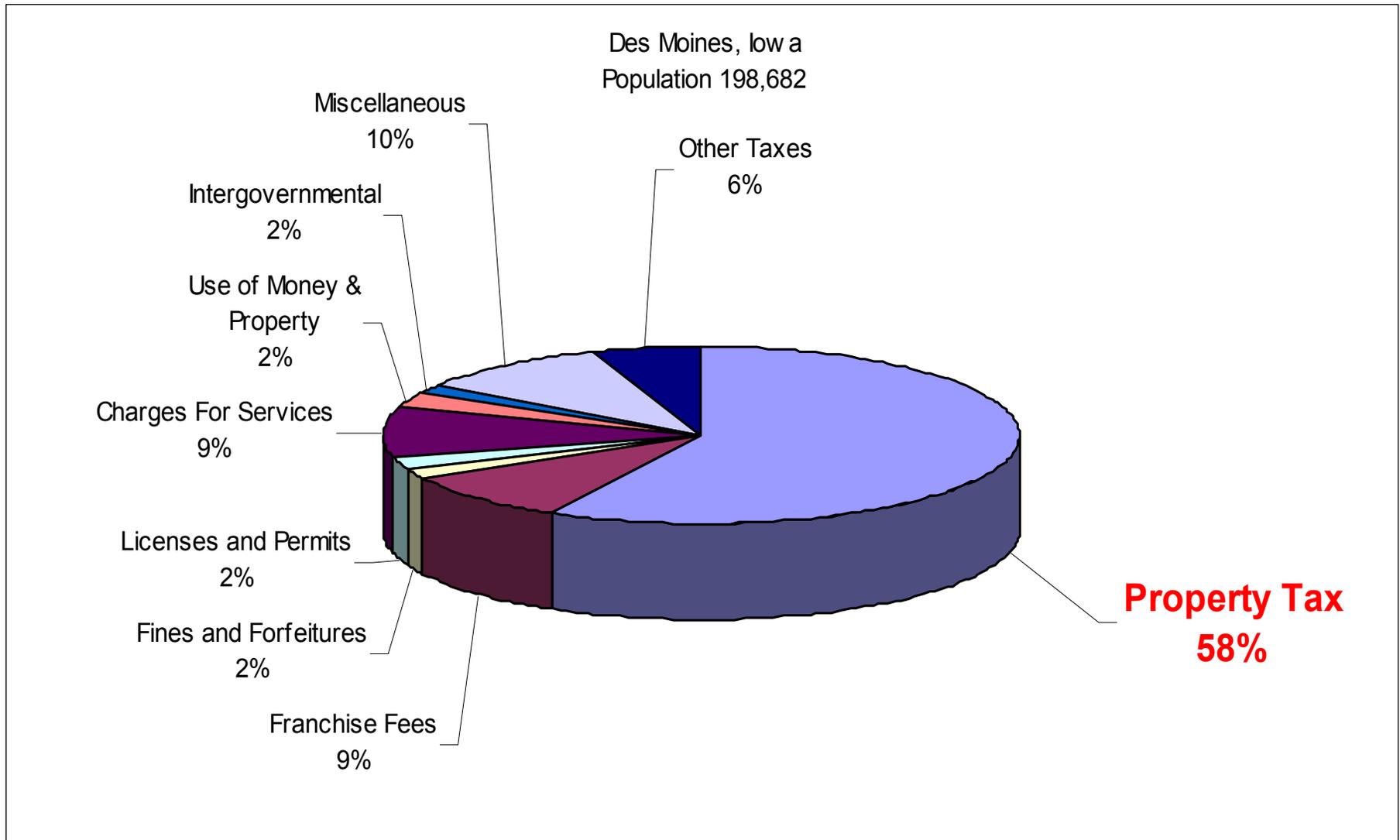
## Franchise Fee Impact On Tax Rate



# WHAT OTHER CITIES ARE DOING TO DIVERSIFY REVENUES

## General and Debt Service Funding Sources

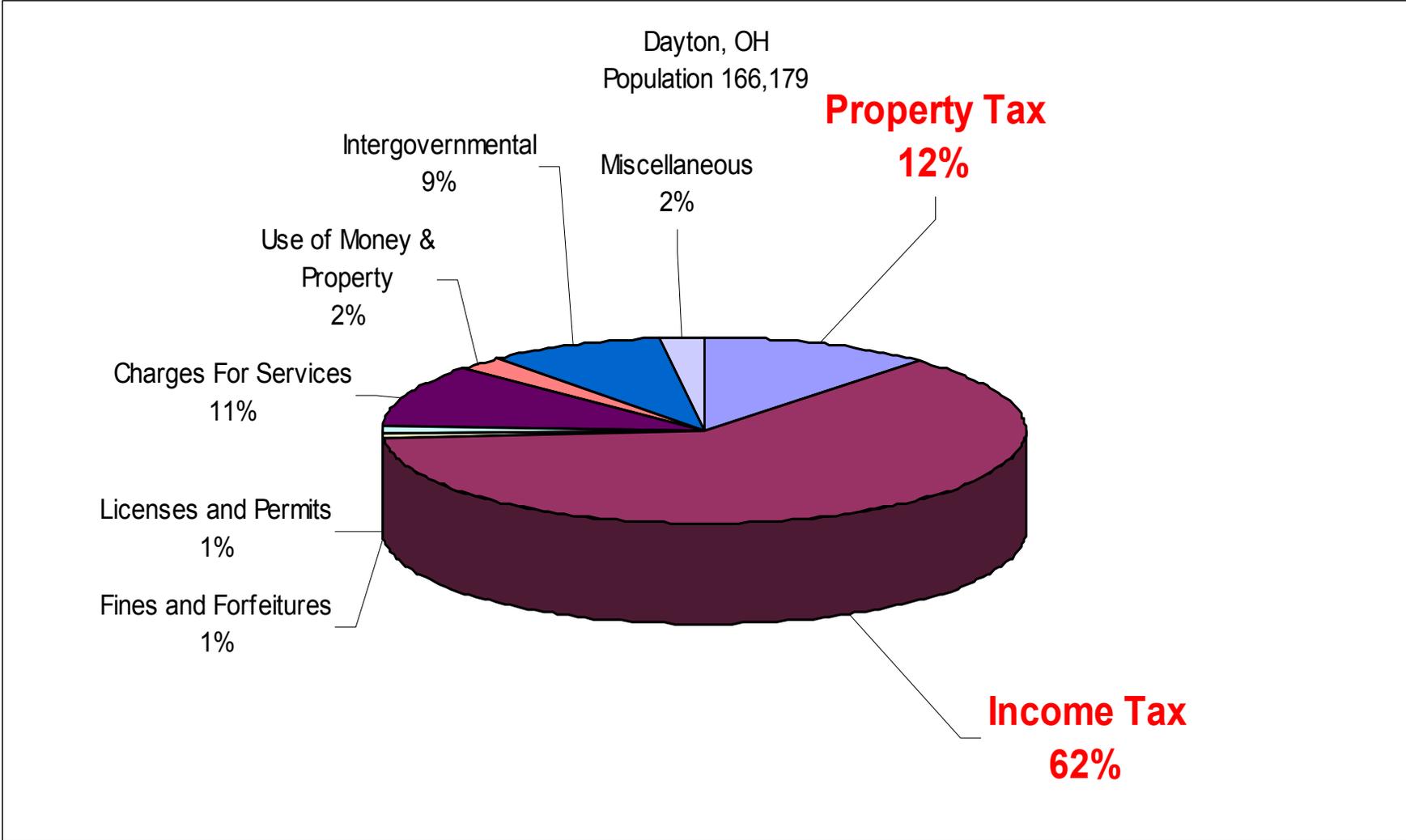
### DES MOINES



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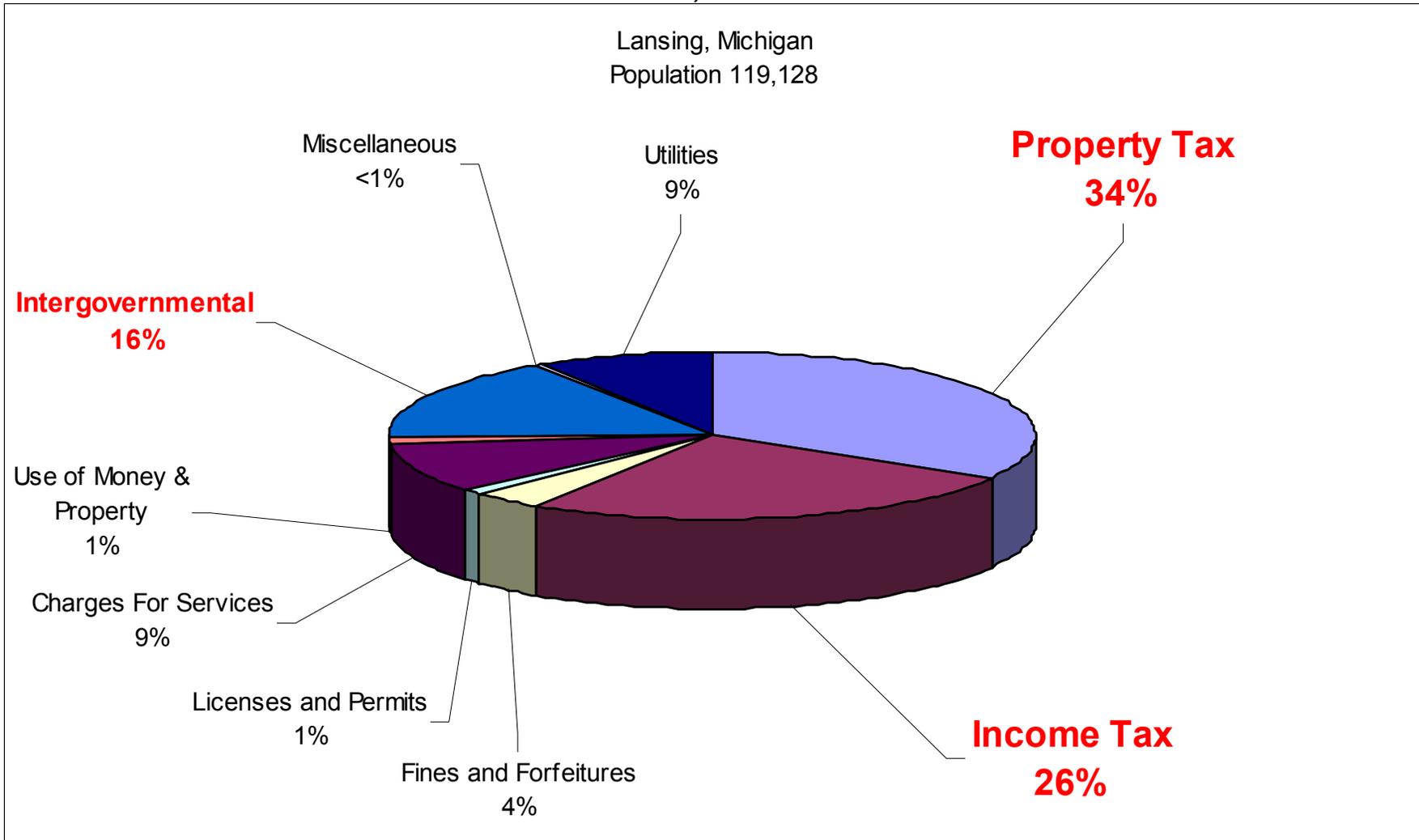
### DAYTON, OHIO



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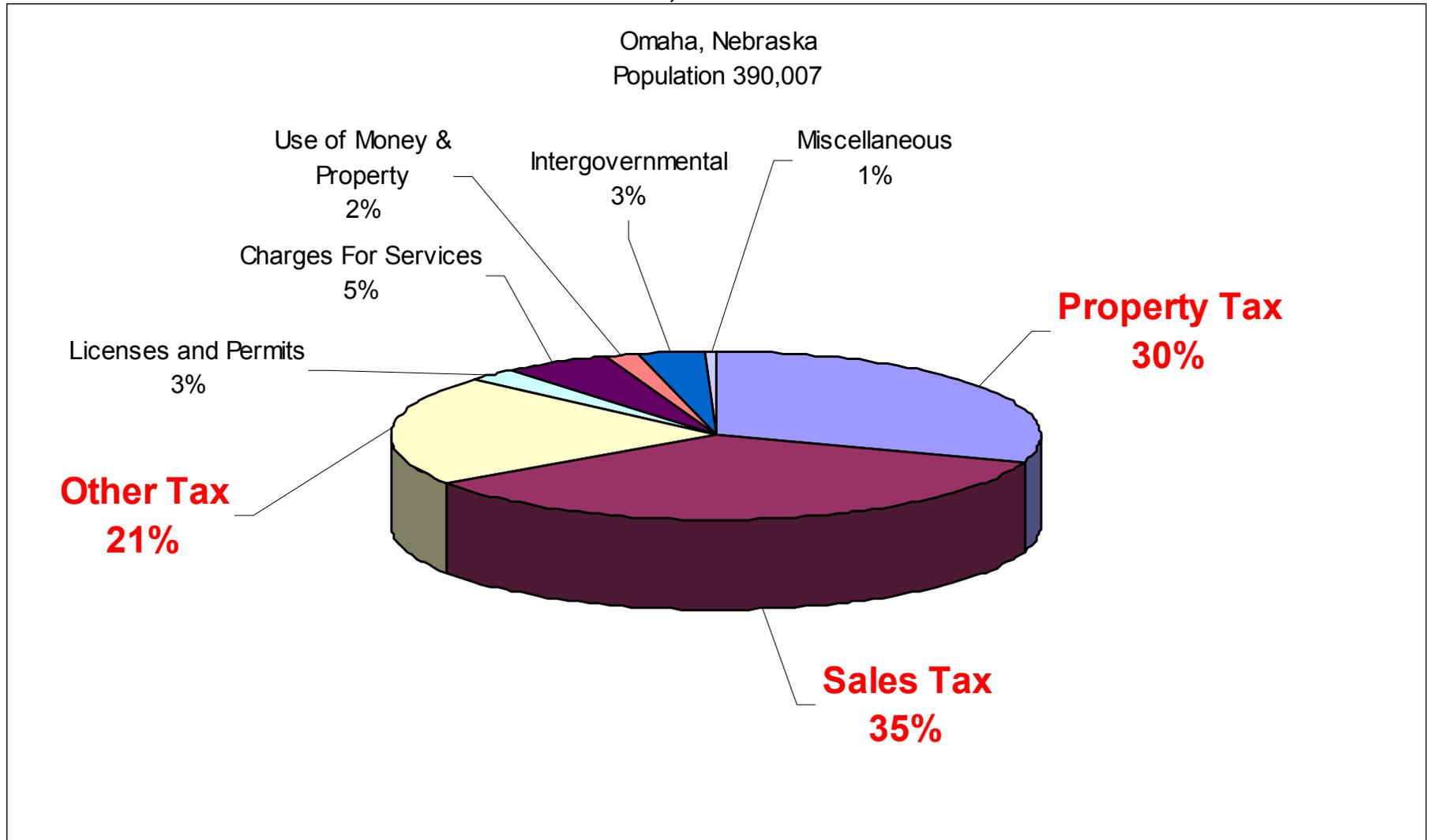
### LANSING, MICHIGAN



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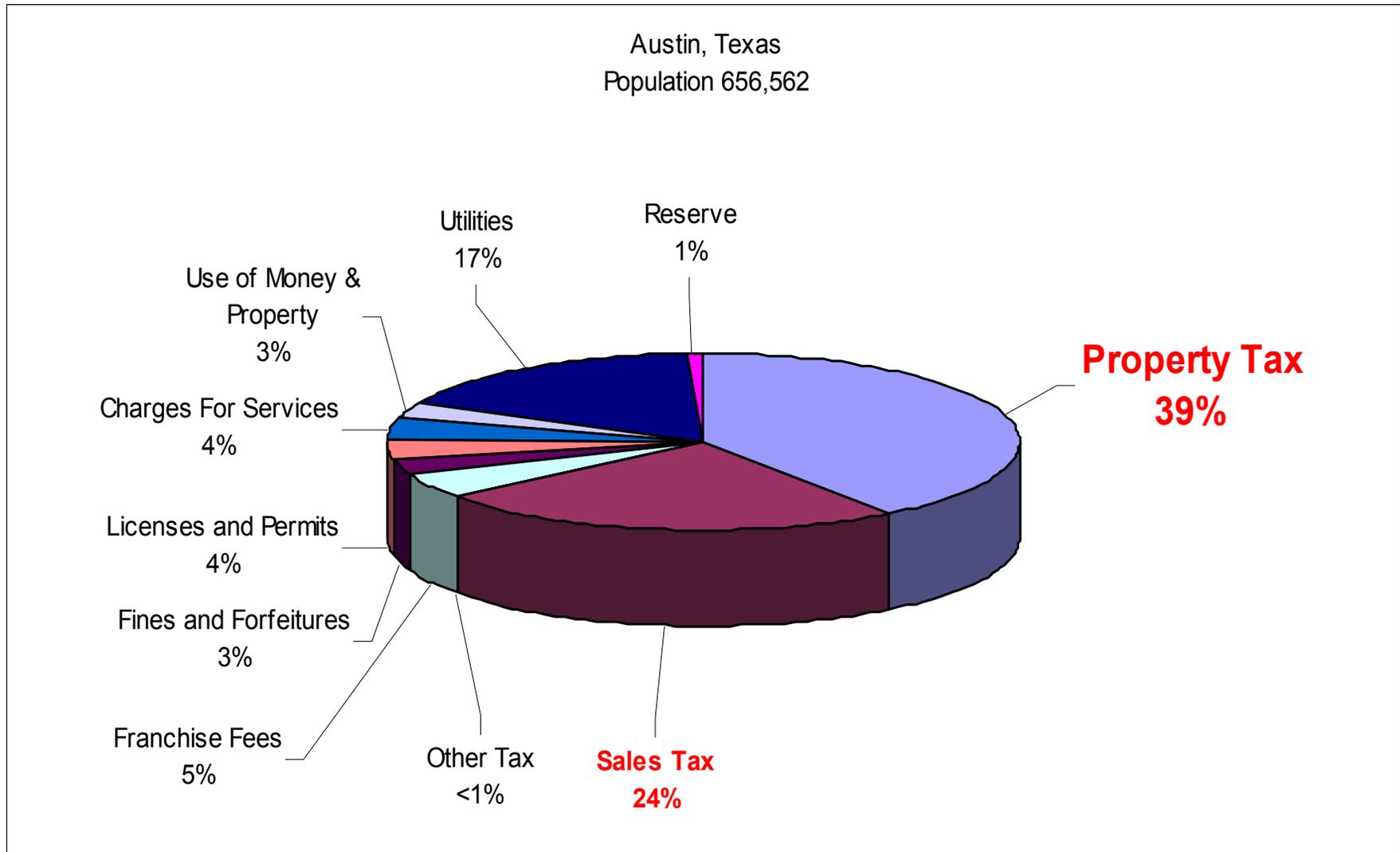
### OMAHA, NEBRASKA



# WHAT OTHER CITIES ARE DOING TO DIVERSIFY REVENUES

## General and Debt Service Funding Sources

### AUSTIN, TEXAS



# Conclusions

1. Cities in Iowa have structural deficits.
  - Many costs beyond control (health, pensions, fuel, utilities)
  - Revenues do not keep pace with expenditures
2. Our property tax is too high.
3. Service consolidations could reduce costs.
4. The franchise fee has reduced property taxes in Des Moines.
5. The method of local government finance in Iowa needs major reform.

# Recommendations

## LONG-TERM STRATEGIES

### **Change the way local government is financed in Iowa.**

- a) Diversify Revenue Streams.
  - Reduce reliance on property tax
  - Utilize different tax revenue that is fair and reliable
  - Applicable statewide
  - Sales or income tax alternatives
- b) Incentivize to encourage service consolidations.
- c) Encourage “smart growth” initiatives.

We welcome Cedar Rapids' Approach On Municipal Finance

# Recommendations

## **IMMEDIATE STRATEGY**

Enact legislation this session that would affirm the use of a franchise fee on gas and electric consumption.

Iowa cities can provide a significant part of the growth that will fuel Iowa's economy in the foreseeable future – but not if our system of financing cities remains as antiquated as it is today. We applaud your interest and leadership on this important issue, and we stand ready to help you in any way we can.

Thank You

Questions?